



Senate

General Assembly

File No. 581

January Session, 2007

Substitute Senate Bill No. 1392

Senate, April 25, 2007

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE DIESEL FUEL TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (2) of subsection (a) of section 12-458 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2007*):

4 (2) On said date and coincident with the filing of such return each
5 distributor shall pay to the commissioner for the account of the
6 purchaser or consumer a tax (A) on each gallon of such fuels sold or
7 used in this state during the preceding calendar month of twenty-six
8 cents on and after January 1, 1992, twenty-eight cents on and after
9 January 1, 1993, twenty-nine cents on and after July 1, 1993, thirty cents
10 on and after January 1, 1994, thirty-one cents on and after July 1, 1994,
11 thirty-two cents on and after January 1, 1995, thirty-three cents on and
12 after July 1, 1995, thirty-four cents on and after October 1, 1995, thirty-
13 five cents on and after January 1, 1996, thirty-six cents on and after
14 April 1, 1996, thirty-seven cents on and after July 1, 1996, thirty-eight

15 cents on and after October 1, 1996, thirty-nine cents on and after
16 January 1, 1997, thirty-six cents on and after July 1, 1997, thirty-two
17 cents on and after July 1, 1998, and twenty-five cents on and after July
18 1, 2000; and (B) in lieu of said taxes, each distributor shall pay a tax on
19 each gallon of gasohol, as defined in section 14-1, sold or used in this
20 state during such preceding calendar month, of twenty-five cents on
21 and after January 1, 1992, twenty-seven cents on and after January 1,
22 1993, twenty-eight cents on and after July 1, 1993, twenty-nine cents on
23 and after January 1, 1994, thirty cents on and after July 1, 1994, thirty-
24 one cents on and after January 1, 1995, thirty-two cents on and after
25 July 1, 1995, thirty-three cents on and after October 1, 1995, thirty-four
26 cents on and after January 1, 1996, thirty-five cents on and after April
27 1, 1996, thirty-six cents on and after July 1, 1996, thirty-seven cents on
28 and after October 1, 1996, thirty-eight cents on and after January 1,
29 1997, thirty-five cents on and after July 1, 1997, thirty-one cents on and
30 after July 1, 1998, and twenty-four cents on and after July 1, 2000, and
31 twenty-five cents on and after July 1, 2004; [and] (C) in lieu of such
32 rate, said taxes each distributor shall pay a tax on each gallon of diesel
33 fuel, propane or natural gas sold or used in this state during such
34 preceding calendar month, of eighteen cents on and after September 1,
35 1991, and twenty-six cents on and after August 1, 2002; (D) in lieu of
36 said taxes, each distributor shall pay a tax on each gallon of propane or
37 natural gas sold or used in this state during such preceding calendar
38 month, of twenty-six cents on and after July 1, 2007; and (E) in lieu of
39 said taxes, each distributor shall pay a tax on each gallon of diesel fuel
40 sold or used in this state during such preceding calendar month, of
41 thirty-six cents on and after July 1, 2007, thirty-six and eight-tenths
42 cents on and after July 1, 2008, and thirty-eight cents on and after July
43 1, 2013.

44 Sec. 2. Subdivision (2) of subsection (b) of section 12-587 of the
45 general statutes is repealed and the following is substituted in lieu
46 thereof (*Effective July 1, 2007*):

47 (2) Gross earnings derived from the first sale of the following
48 petroleum products within this state shall be exempt from tax: (A) Any

49 petroleum products sold for exportation from this state for sale or use
50 outside this state; (B) the product designated by the American Society
51 for Testing and Materials as "Specification for Heating Oil D396-69",
52 commonly known as number 2 heating oil, to be used exclusively for
53 heating purposes or to be used in a commercial fishing vessel, which
54 vessel qualifies for an exemption pursuant to section 12-412; (C)
55 kerosene, commonly known as number 1 oil, to be used exclusively for
56 heating purposes, provided delivery is of both number 1 and number 2
57 oil, and via a truck with a metered delivery ticket to a residential
58 dwelling or to a centrally metered system serving a group of
59 residential dwellings; (D) the product identified as propane gas, to be
60 used exclusively for heating purposes; (E) bunker fuel oil, intermediate
61 fuel, marine diesel oil and marine gas oil to be used in any vessel
62 having a displacement exceeding four thousand dead weight tons; (F)
63 for any first sale occurring prior to July 1, 2008, propane gas to be used
64 as a fuel for a motor vehicle; (G) for any first sale occurring on or after
65 July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted
66 pursuant to section 16a-22c, to be used exclusively by a company
67 which, in accordance with census data contained in the Standard
68 Industrial Classification Manual, United States Office of Management
69 and Budget, 1987 edition, is included in code classifications 2000 to
70 3999, inclusive, or in Sector 31, 32 or 33 in the North American
71 Industrial Classification System United States Manual, United States
72 Office of Management and Budget, 1997 edition; (H) for any first sale
73 occurring on or after July 1, 2002, number 2 heating oil to be used
74 exclusively in a vessel primarily engaged in interstate commerce,
75 which vessel qualifies for an exemption under section 12-412; (I) for
76 any first sale occurring on or after July 1, 2000, paraffin or
77 microcrystalline waxes; (J) for any first sale occurring prior to July 1,
78 2008, petroleum products to be used as a fuel for a fuel cell, as defined
79 in subdivision (113) of section 12-412; [or] (K) a commercial heating oil
80 blend containing not less than ten per cent of alternative fuels derived
81 from agricultural produce, food waste, waste vegetable oil or
82 municipal solid waste, including, but not limited to, biodiesel or low
83 sulfur dyed diesel fuel; or (L) for any first sale occurring on or after

84 July 1, 2007, diesel fuel to be used exclusively in a qualified motor
 85 vehicle by a motor carrier, as both are defined in section 12-478.

86 Sec. 3. Subsection (b) of section 13b-61a of the general statutes is
 87 repealed and the following is substituted in lieu thereof (*Effective July*
 88 *1, 2007*):

89 (b) Notwithstanding the provisions of section 13b-61, for calendar
 90 quarters ending on or after September 30, 2006, the Comptroller shall
 91 deposit into the Special Transportation Fund an annual amount in
 92 accordance with the following schedule, from such funds received by
 93 the state from the tax imposed under said section 12-587, as amended
 94 by this act, on the gross earnings from the sales of petroleum products.
 95 Such transfers shall be made in quarterly installments.

T1	Fiscal Year	Annual Transfer
T2		
T3	2007	\$141,000,000
T4	2008	[\$164,000,000] <u>\$131,100,000</u>
T5	2009	[\$180,900,000] <u>\$145,300,000</u>
T6	2010	[\$180,900,000] <u>\$145,300,000</u>
T7	2011	[\$200,900,000] <u>\$165,300,000</u>
T8	2012	[\$200,900,000] <u>\$165,300,000</u>
T9	2013	[\$200,900,000] <u>\$165,300,000</u>
T10	2014 and thereafter	[\$219,400,000] <u>\$179,200,000</u>

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	12-458(a)(2)
Sec. 2	<i>July 1, 2007</i>	12-587(b)(2)
Sec. 3	<i>July 1, 2007</i>	13b-61a(b)

Statement of Legislative Commissioners:

Language in subparagraph (C) in section 1 was adjusted for consistency with the existing language of the statute, and subparagraphs (D) and (E) were rewritten for accuracy.

FIN *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The fiscal impact of the bill is outlined in the table below.

Section	Provision	Revenue Impact (\$ - millions)	
		FY 08	FY 09
<i>General Fund</i>			
2	Exempts fuel used by qualified motor vehicle defined under 12-478 (see note 1)	-35.3	-38.0
3	Reduces the transfer from the petroleum gross earnings tax to the Special Transportation Fund	32.9	35.6
	<i>Net General Fund Impact</i> (see note 2)	-2.4	-2.4
<i>Special Transportation Fund</i>			
1	Increases the motor fuels tax on diesel fuel from 26 to 36/cpg on 7/1/07, from 36 to 36.8/cpg on 7/1/08, and from 36.8 to 38/cpg on 7/1/13.	32.9	35.6
3	Reduces the transfer from the petroleum gross earnings tax to the Special Transportation Fund	-32.9	-35.6

<i>Net Special Transportation Fund Impact</i>	<u>Neutral</u>	<u>Neutral</u>
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Notes

Note 1: The loss from exempting fuel used by qualified motor vehicles assumes an average annual wholesale price of \$1.75/gallon. Therefore, if the average whole price substantially differs from \$1.75/gallon then impact indicated in the table will be different.

Note 2: Under current law, fuel sold to the state and municipalities includes the petroleum gross earnings tax but it is exempt from the motor fuels tax. Therefore, the expected net General Fund impact is primarily from the loss of revenue expected from sales to government entities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1392*****AN ACT CONCERNING THE DIESEL FUEL TAX.*****SUMMARY:**

This bill establishes a three-step increase in the motor fuel tax on diesel fuel used in any type of motor vehicle from the current 26 cents per gallon to 36 cents starting July 1, 2007; 36.8 cents starting July 1, 2008; and 38 cents starting July 1, 2013.

The bill also exempts from the petroleum products gross earnings tax, petroleum refiners' or distributors' gross earnings from first sales of diesel fuel in Connecticut, but only if the fuel is exclusively for use by motor carriers. The exemption applies to first sales of qualifying fuel occurring on or after July 1, 2007.

Finally, to reflect its changes in these two taxes, the bill reduces scheduled petroleum products gross earnings tax revenue transfers from the General Fund to the Special Transportation Fund (STF). Petroleum products gross earnings tax revenue goes to the General Fund and is transferred to the STF, while motor fuel tax revenue goes directly to the STF.

EFFECTIVE DATE: July 1, 2007

PETROLEUM PRODUCTS GROSS EARNINGS TAX EXEMPTION FOR DIESEL FUEL

The petroleum products gross earnings tax exemption covers diesel fuel used to operate (1) two-axle trucks or combinations with gross vehicle weights or registered gross vehicle weights above 26,000 pounds and (2) three-or-more-axle trucks regardless of weight. It does not cover fuel for recreational vehicles used by individuals exclusively

for pleasure and not in connection with a trade or business.

REVENUE TRANSFERS TO THE STF

Starting in FY 08, the bill reduces scheduled petroleum products gross earnings tax revenue transfers from the General Fund to the STF for each fiscal year as shown in Table 1.

**TABLE 1: SCHEDULED PETROLEUM PRODUCTS GROSS EARNINGS TAX
REVENUE TRANSFERS FROM GENERAL FUND TO THE STF**

<i>FISCAL YEAR(S)</i>	<i>ANNUAL TRANSFERS (in millions)</i>	
	<i>Current</i>	<i>Proposed</i>
2007	\$141.0	No change
2008	164.0	\$131.1
2009-10	180.9	145.3
2011-13	200.9	165.3
2014 and after	219.4	179.2

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 45 Nay 6 (04/05/2007)